

1 Thomas C. Nelson ESQ., SBN 82506
2 550 West C Street, Suite 1850
3 San Diego, California 92101
4 Telephone: (619) 236-1245
5 Fax: (619) 236-0230
6 tom@tcnlaw.com

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U.S. BANKRUPTCY CT.
SO. DIST. OF CALIF.

Attorney for Debtor in Possession TESLA GRAY

7 UNITED STATES BANKRUPTCY COURT
8 SOUTHERN DISTRICT OF CALIFORNIA
9

10 In re:) Case No.:08-10753-LA11
11 TESLA GRAY,)
12 Debtor-in-Possession,) DECLARATION OF RAY GRAY IN
13) SUPPORT OF DEBTOR'S OPPOSITION TO
14) UNITED STATES TRUSTEE'S MOTION
15) TO CONVERT OR IN THE ALTERNATIVE
16) APPOINT A CHAPTER 11 TRUSTEE
17)
18) Date: December 10, 2009
19) Time: 2:00 p.m.
20) Dept.: 2
21) Room: 218
22) Hon. Louise Adler

Ray Gray declares:

18 1. I am the father of Tesla Gray, the Debtor in this proceeding. I manage the
19 Debtor's real estate investments and do not charge her any fees or other compensation for
20 doing so.

21 2. I have been in the real estate business as my primary occupation for more
22 than 35 years. During that time, I have bought and sold both undeveloped and developed
23 residential and commercial real properties; acquired undeveloped land, obtained
24 development entitlements and then sold to builders; acquired existing properties,
25 including single-family residences, remodeled and sold them, among other aspects of the
26 real estate business.

27 3. One of the Debtor's properties consists of 112 acres of undeveloped property in
28 Harmony Grove, which is in North San Diego County. The Debtor acquired that property in

1 August 2005 for \$1.6 million and began the process of obtaining a tentative map. SCC
2 Acquisitions, Inc., a subsidiary of SunCal Companies ("SunCal"), contracted to buy the
3 Harmony Grove property in April 2005 for \$33,600,000.00. Escrow was to close upon approval
4 of the final subdivision map. SunCal assumed responsibilities for processing the map as part of
5 the agreement. Under that agreement, SunCal made payments to the Debtor which initially were
6 \$65,000.00 per month. The Debtor refinanced the Harmony Grove Property with a loan from
7 Preferred Bank in the amount of \$14,030,000.00 in October 2006 on the strength of the SunCal
8 contract.

9 4. SunCal stopped making monthly payments to the Debtor, and repudiated its
10 purchase agreement, in December 2007. That caused the Debtor's current financial problems.
11 Among other issues, the Debtor defaulted on the Preferred Bank loan. The Debtor entered into
12 an agreement with Preferred Bank in December 2008 under which, among other things, the
13 Debtor gave Preferred Bank a security interest in four other properties as additional collateral.

14 5. This case began when John and Nancy Montgomery (the "Montgomerys") filed a
15 Petition for Involuntary Bankruptcy on October 28, 2008. The Debtor initially resisted that
16 petition, but then jointly moved with the Montgomerys for entry of an order for relief under
17 Chapter 11 although the Involuntary Petition might have been invalid for not having the requisite
18 number of creditors. The reason the Debtor, with my advice and advice of counsel, did so is
19 because she may be able to invalidate the December 2008 agreement with Preferred Bank since
20 that agreement was entered into after the Involuntary Petition was signed. If the Debtor is
21 successful in that effort, the additional security given to Preferred Bank will be removed from the
22 other four properties freeing up equity which the Debtor can use as the basis for a Plan of
23 Reorganization.

24 6. My wife and I did most of the work preparing the Schedules and Statement of
25 Financial Affairs filed in this case. Tesla and I attended the Initial Debtor Interview with the
26 United States Trustee's Office. We fully disclosed at that meeting that I manage her real estate
27 portfolio, and am the best and most qualified person to answer questions and provide information
28 about her real estate investments. With my help, the Debtor provided documents which the

1 UST's Office requested and also provided information and answers to questions as requested by
2 the UST. Along with Tesla, I attended the 341(a) meetings on August 18, 2009, and on
3 September 22, 2009. At the first meeting, I offered to answer questions as the person with the
4 most knowledge about the Debtor's financial dealings. The UST declined to allow me to do so.
5 I am still willing to answer any questions or provide whatever information requested by the UST
6 at a Rule 2004 exam or in any other manner the UST requests.

7 7. I have done most of the work preparing the monthly Operating Reports for the
8 periods since the Order for Relief was entered since my wife and I keep the books and records
9 regarding the Debtor's real estate holdings. The Debtor provided information regarding her
10 activities as a hair stylist, and reviewed the Operating Reports before she signed them. On the
11 Debtor's behalf, I have also assisted her counsel in filing oppositions to relief from stay motions
12 brought since entry of the Order for the purpose of preserving the estates assets for the benefit of
13 creditors.

14 8. I personally guaranteed loans on the Debtor's behalf. Although I am being sued
15 by several of the lenders to whom I personally guaranteed loans for the Debtor, I have no
16 intention of filing any claim against the Debtor and am willing to formally waive any such
17 claims. Helping the Debtor with respect to satisfying those obligations helps me as well since it
18 reduces my potential exposure. I am highly motivated to help the Debtor successfully reorganize
19 for that reason, as well as because she is my daughter and want to see her succeed.

20 9. The above is of my personal knowledge, and I could and would so testify if called
21 as a witness.

22 Signed on November 18, 2009, at San Diego, California.

23 I declare under penalty of perjury under the laws of the State of California that the
24 foregoing is true and correct.

25 
Ray Gray

In Re: Tesla Gray
Case No. 08-10753-LA11

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I am over the age of 18 years and am not a party to the within action or proceeding. My business address is 550 West C Street, Suite 1850, San Diego, CA 92101.

On November 18, 2009, I served the following documents:

Debtor's Opposition to United States Trustee's Motion to Convert or for the Appointment of a Chapter 11 Trustee
Declaration of Tesla Gray
Declaration of Ray Gray

on the following interested party in this action:


See Attached List

X (By Mail) I caused such envelope with postage thereon, fully prepaid, to be placed in the United States mail.

(By Personal Service) I caused such envelope to be delivered by hand to the offices of the addressee.

Signed on November 18, 2009, at San Diego, California.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.


Mallorie Barker

BAC Home Loans/Countrywide
450 American Street
Simi Valley, CA 93065

Chase Home Finance
PO Box 78116
Phoenix, AZ 85062

Chevy Chase Bank
6151 Chevy Chase Dr
Laurel, MD 20707

Citimortgage
PO Box 6006
The Lakes, NV 88901

Desert Funding Inc
5808A Summitview #257
Yakima, WA 98909

GMAC
PO Box 79135
Phoenix, AZ 85062

Home Equity Funding
13038 Maritime Place
San Diego, CA 92130

Integrated Financial Associates
2810 W Charleston Blvd. #77
Las Vegas, NV 89102

National City Mortgage
PO Box 54828
Los Angeles, CA 90050

Phillip Sullivan
10 Pembroke Ct
Dearborn, MI 48126

Preferred Bank
601 S Figueroa St
Los Angeles, CA 90017

Saxon
PO Box 514748
Los Angeles, CA 90051

James P Hill, Esq
Christopher V Hawkins, Esq
Sullivan, Lewen, Rez & Engel
550 West C Street, Suite 1500
San Diego, CA 92101

GMAC Mortgage, LLC
c/o Pite Duncan, LLP
P.O.Box 17933
San Diego, CA 92117-0933

Wayne R. Terry
Hewmar, Rousso & Heald, LLP
15910 Ventura Blvd., 12th Floor
Encino, CA 91436

Chase Home Finance
John M. Sorich, Esq.
Alvarado & Associate, LLC
1 MacArthur Place, Suite 210
Santa Ana, CA 92707

John Montgomery and
Nancy L. Montgomery
C/O Mark A. Puppet
Catalano & Catalano
655 West Broadway, Ste 880
San Diego, CA 92101-8483

Rancho Cal Water Dist
PO Box 9017
Temecula, CA 92101

Ray Gray
PO Box 538
Fallbrook, CA 92088

Suncal Companies
2392 Morse Ave
Irvine, CA 92614

Harmon Family Trust
c/o Homeequity Funding Corp
388 Palos Verdes Dr West
Palos Verdes Estates, CA 92074

Xavier Family Trust
c/o Homeequity Funding Corp
388 Palos Verdes Dr West
Palos Verdes, CA 92074

Bank of America
PO Box 851001
Dallas, TX 75285-1001

Bank of the West
PO Box 515274
Los Angeles, CA 90051-6574

Chase
PO Box 94014
Palatine, IL 60094-4014

National City Mortgage, Co.
3232 Newark Drive
Miamisburg, OH 45342-5433

Chase Home Finance, LLC
Routh Crabtree Olsen, PS
505 N Tustin Ave Ste 243
Santa Ana, CA 92705-3735

Bank of The West
c/o Hemar, Rousso & Heald
15910 Ventura Blvd, 12th floor
Encino, CA 91436-2802

Citimortgage, Inc.
PO Box 6941
The Lakes, NV 88901-6006

GMAC Mortgage Corp of PA
Routh Crabtree Olsen PS
505 N Tuston Ave, ste 243
Santa Ana, CA 92705-3735

Pacific Western Bank
c/o Hemar Roussou & HEald, LLP
15910 Ventura Blvd, 12th Floor
Encino, CA 91436-2802

GMAC Mortgaga Corp of PA
Attn: Mail code 507 345 110
3451 Hammond Ave
Waterloo, IA 50702-5300

Internal Revenue Service
Centralized Insolvency Operations
PO Box 21126
Philadelphia, PA 19114-0326

GMAC Mortgage LLC
Routh Crabtree Olsen, PS
505 N Tustin Ave, suite 243
Santa Ana, CA 92705-3735

Escondido Creek Conservancy
c/o Christian V. Hawkins
550 West C Street, suite 1500
San Diego, CA 92101-3570

BNC Mortgage
c/o Chase Home Finance
3415 Vision Dr.
Columbus, OK 43219-6009

Chase Home Finance, LLC
10790 Rancho Bernardo Rd
San Diego, CA 92127-5705

Chevy Chase Bank, FSB
c/o Pite Dincan LLP
PO Box 17933
San Diego, CA 92177-7921

GMac Mortgage, LLC
3451 Hammond
Waterloo, IAA 50702-5300